

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Implementation of the 2013-2019 Capital Investment Program (CIP) financing plan by providing for the issuance of limited tax general obligation (LTGO) Councilmanic bonds to finance, reimburse, or refinance a portion of the cost of the City's CIP and discussion with Council concerning mix of short-term versus long-term debt.

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Finance Department

POLICY ISSUES

The Capital Investment Program (CIP) adopted by Council in December 2012 via Ordinance 6089 outlines specific policy guidance for the financial strategy to generate funding to pay for the capital investments included in the CIP. Because the CIP was "frontloaded" (expenditures exceed revenues in the early years of the CIP), the seven-year plan assumed the use of two types of debt: \$41 million in long term bonds and \$51 million in short term line of credit (LOC) for a total debt draw of \$92 million.

Tonight, staff seeks general policy direction on issuing the entire adopted debt draw (approximately \$80 million) in LTGO bonds and postponing the issuance of a short term LOC. There are several reasons staff is recommending a larger long-term issuance at this time: 1) current favorable conditions in the municipal bond market, 2) a concern over the availability of short term LOC to meet the City's needs, and 3) the economies of scale a larger issuance provides the City. This larger LTGO issuance includes funding for the NE 4th Street/120th Avenue Stage 1 project adopted in the CIP for which the City will be receiving offsetting Local Revitalization Financing (LRF) Funding from the State.

A proposed bond ordinance/resolution is attached (Attachment F), which is scheduled for consideration by Council on April 1 and includes additional components of the debt issuance regarding the method of sale, principal amount and authority to delegate a "Designated Representative". In line with the 2012 City Hall refinancing, staff seeks direction from Council to have Council delegate a "Designated Representative" for a limited time in order to provide greater flexibility in how the bonds are ultimately structured by the bidders in a competitive bond sale method.

DIRECTION NEEDED FROM COUNCIL

☒ Action
☒ Discussion

X Information

Staff seek Council direction to pursue issuing the entire adopted debt draw in LTGO bonds and postponing issuance of a short-term line of credit.

BACKGROUND/ANALYSIS

On December 3, 2012 Council adopted the 2013-2019 CIP Plan with financing provided by \$41 million in LTGO bonds and \$51 million in short-term line of credit, for a total debt draw of \$92 million. These initial assumptions were used to balance the cash flow of the seven-year CIP Plan. When the CIP was adopted, staff noted that the mix of long- and short-term debt issuances assumed in the Plan would be brought back to Council and potentially modified based on advice from the City's financial advisor, market conditions and project progress evaluation. Since the adoption of the CIP, staff has been working with the City's financial advisor, Lindsay Sovde of Seattle-Northwest Securities, and bond counsel, Stacey Crawshaw-Lewis of Pacifica Law Group, to determine the best structure and timing for the issuance of long- versus short-term debt.

In addition, the Adopted CIP assumed a \$7 million LTGO bond issue for the NE 4th Street/120th Avenue Stage 1 project which was a component of the total \$92 million. These bonds will be paid down by the State's Local Revitalization Financing (LRF) program, authorized under RCW 39.104. This program allows the City to impose a sales & use tax that will be credited against the state tax. On August 3, 2009, Council adopted Ordinance No. 5898, which 1) established the Revitalization Area (RA), known as Bellevue Revitalization Area #1, 2) identified the NE 4th Street/120th Avenue Stage 1 project for LRF funding, and 3) authorized the application process for the LRF program. Subsequently, the State awarded the City the maximum allowable state contribution amount of \$500,000 per year for 25 years to fund debt service payments for general obligation bonds issued to finance the project. Staff recommends the inclusion of the LRF bond issuance in the larger bond package.

Bellevue's Debt Capacity

State law (RCW) limits the amount of debt a City can issue by varying types of debt, as shown in the Statutory Limits in the table below. In addition to the limitations set by state law, Council decided to take a more conservative approach several years ago and imposed further policy limits on the City's use of debt to assure strong financial health. As of December 31, 2012, under the Councilmanic Debt Policy Limitation, Bellevue can issue up to \$327 million in non-voted LTGO councilmanic debt. Bellevue currently has \$187 million of outstanding LTGO debt (see Attachment B), leaving \$140 million of councilmanic LTGO debt available under the Council Policy Limit. The following chart illustrates the limits on all debt options.

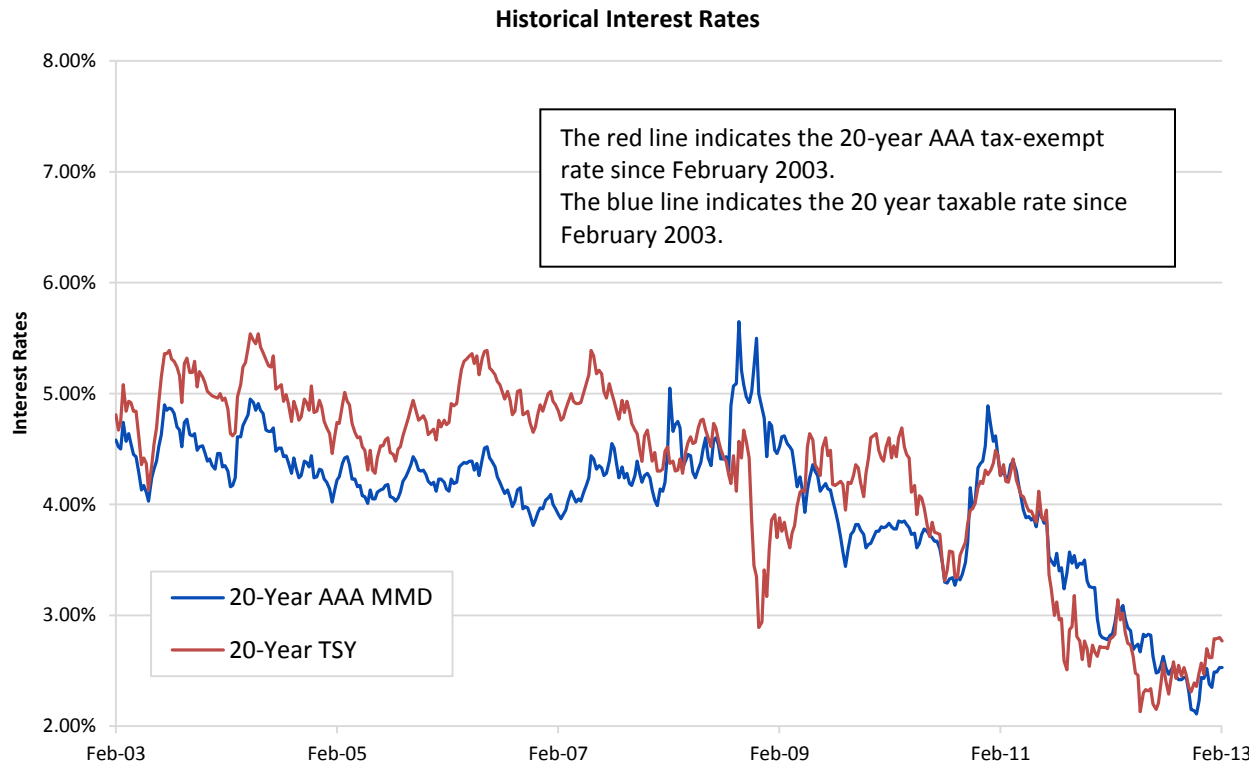
As of 12/31/2012	% of Assessed Value (32.7B) (\$ equivalent of debt in millions (M))		
Type of Debt	Statutory Limitations	Council Policy Limitations	Council Policy Limit Available
General Purpose (2.5%):			
• Non-Voted councilmanic	1.5%	1.00% (\$327M)	0.43% (\$140M)
• Voted (assuming the City uses all of its nonvoted capacity)	1.0%	0.75% (\$245M)	0.75% (\$245M)
Parks and Open Space – Voted	2.5%	1.75% (\$572M)	1.75% (\$572M)
Utilities – Voted	2.5%	1.75% (\$572M)	1.75% (\$572M)
Revenue	No Limit	No Limit	No Limit
Local Improvement District	No Limit	No Limit	No Limit

*Full capacity available for parks and open space due to the existing Parks Levy is not bonded, and therefore no draw on the debt capacity.

Considerations to inform a single Bond Issue

- Favorable Market Conditions**

Seattle-Northwest Securities, the City's financial advisor, provided the chart below to illustrate the current favorable rate climate. As noted in the chart, interest rates are at an all-time low since 2003.



- **Economies of Scale**

By issuing approximately \$80 million in long-term LTGO bonds in lieu of the initially-planned \$41 million long-term and \$51 million short-term debt issues, the City will save approximately \$146,500 in debt issue costs from economies of scale as shown in the table below.

Estimated Debt Issue Costs Comparison Between Single and Combined Bond Issues				
	A	B	C	
Description	\$41 Million Long Term Bond Issue	\$51 Million Short Term Bond Issue	Combined \$80 Million Long Term Bond Issue	Debt Issue Cost Savings from a Combined Issue (A+B)-C
Underwriter's Discount ⁽¹⁾	\$205,000	\$245,000	\$400,000	\$50,000
Bond Counsel ⁽²⁾	42,000	43,000	46,000	39,000
Financial Advisor ⁽²⁾	30,000	30,000	30,000	30,000
Bond Rating - Moody's ⁽³⁾	24,000	28,500	40,000	12,500
Bond Rating – S&P ⁽³⁾	20,000	22,000	30,000	12,000
Other (printing ⁽⁴⁾ & etc.)	3,000	3,000	3,000	3,000
Total	\$324,000	\$371,500	\$549,000	\$146,500

(1) Assumes \$5/\$1,000 underwriter's spread

(2) Estimated. Cost also may vary depending on if SNW or Bond Counsel drafts the OS

(3) Estimated based on 2012 fee schedules from rating agencies

(4) This cost can be reduced if electronic distribution of the Official Statement is utilized

- **Lack of Short-Term Line of Credit Options**

Currently, the market place is lacking Line of Credit (LOC) options that would meet the needs as noted in the Adopted CIP. At this time, LOC durations are less than three years, which do not meet the financial needs of the City. Instead, staff recommends issuing a one-time LTGO for the entire debt draw and the City can choose to pay off any portion early after the first 10 years at no additional cost.

City's Bond Rating

The City's bond rating is based on numerous factors, including the strength of the economy, wealth of the region, financial management policies in the City, and adherence to those financial management policies by the City. The City currently has an AAA bond rating from Moody's and Standard & Poor's for its unlimited general obligation bonds.

The agencies have cited the following strengths of the City (see attachment D and E):

- Strong financial management practices that include multi-year forecasting and long-term capital planning

- Stable presence of advanced industries that attract skilled workers
- High reserves outside of the general fund that can support operations (if needed).

Conversely, the agencies have cited that if the following significant items occurred, there could be a negative impact (see Attachments D and E):

- Deterioration of the city's financial position relative to peers nationally
- Significant, additional tax base declines to an assessed value inconsistent with peers nationally,
- City finances not meeting management projections.

As noted above, the City currently has \$140 million of available councilmanic LTGO debt capacity. The City's financial health is in good standing and, though staff cannot predict the rating agencies' responses or actions, staff does believe the risk of being downgraded is low due to solely having a larger long-term bond issuance.

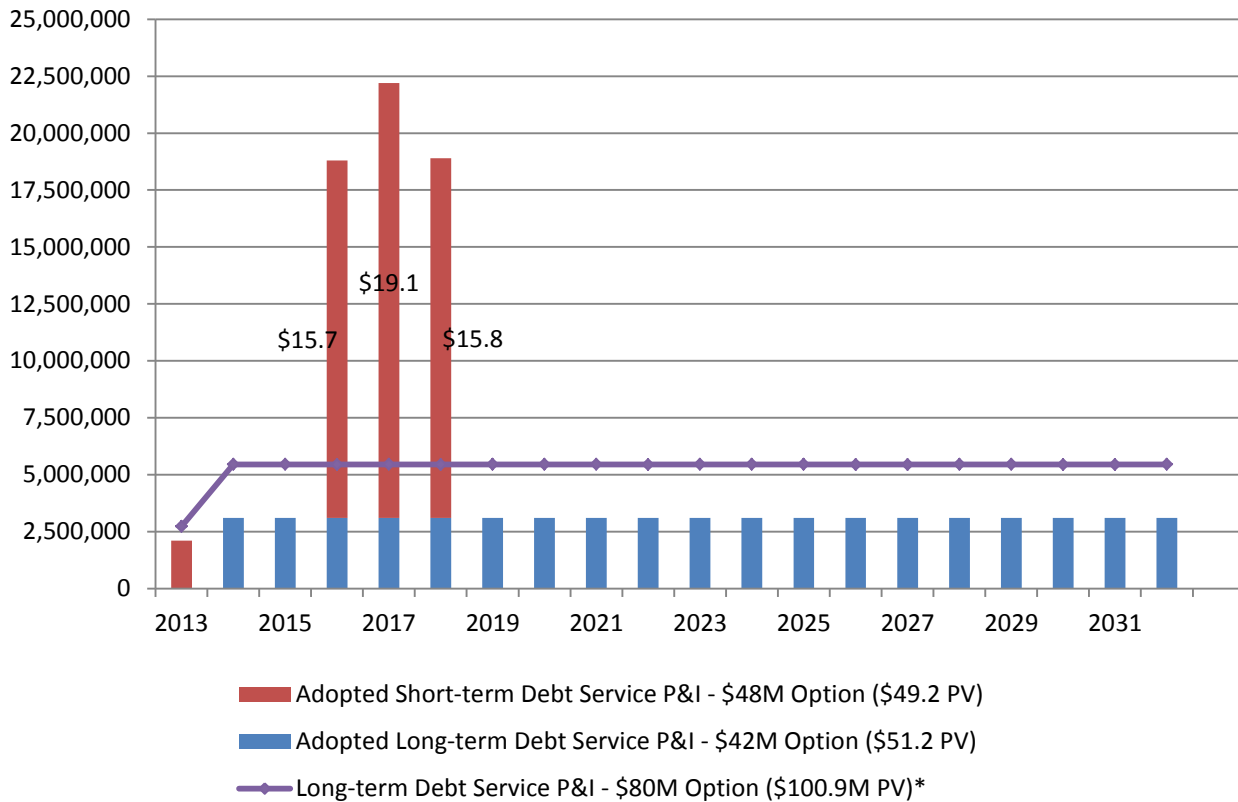
Comparison of Adopted CIP vs. Staff Proposed Structure

With interest rates at their lowest level in years, the current market challenges in obtaining a seven-year line of credit, and the economies of scale on the cost of the issuance, staff recommends the issuance of long-term debt of approximately \$80 million to fund the CIP amount. Staff have modeled the cash flow and determined that this amount is sufficient to address expenditure needs through 2016 and can be fully funded with the projected revenue stream. A determination can be made later on whether or not there is a need for a short-term line of credit borrowing, depending on updated cash flow projections.

The chart below illustrates the cash payments under the two options – the Adopted CIP \$92 million debt draw (\$41 million in LTGO, and \$51 million in short-term Line of Credit paid back within the existing 7-year CIP), compared with approximately \$80 million 20-year LTGO bonds, the latter assuming the LRF financing contained within the bonding.

Financing Options for the 2013-2019 CIP

Total Annual Debt Service P&I Payments thru Retirement



*Assumes interest rates as of February 25, 2013

Due to the favorable long-term market pricing conditions, issuing approximately \$80 million in LTGO provides a present value (PV) total similar cost to the City (total PV of adopted CIP of \$100.4 million vs. Total PV of the \$80 million LTGO of \$100.9 million) and frees up cash in the later years of the CIP which would have been used to pay the short-term debt for other capital projects.

Overview of Potential Future Council Actions

Council direction will be needed in order to proceed with the issuance of bonds. A draft bond resolution with a principal amount of approximately \$80 million and delegating a Designated Representative is provided in Attachment F. Final principal bond size shown in the ordinance may need to be adjusted so that the size of the issue will ultimately yield \$80 million in project funding.

A more detailed calendar appears here:

Date	Item	Status
March 4, 2013	Council Discussion/Briefing regarding issuing a larger long term bond and forgoing the short term line of credit unless needed in the future	Done

March 18, 2013	Council Briefing, if needed	
April 1, 2013	Council adopts Ordinances for Bond Issuance, including delegation authority and resolution for LRF financing, and an ordinance to impose the state-shared sales tax for the LRF	
April 1 to April 30, 2013	Bond rating, competitive bond sale, bond closing	

RECOMMENDATION

Staff recommends issuing a single larger LTGO bond issue of approximately \$80 million, which would include the LRF bond as adopted in the CIP, and forgoing a short-term line of credit unless needed.. Final principal bond size shown in the ordinance may need to be adjusted so that the size of the issue will ultimately yield \$80 million in project funding. If a short-term line of credit is needed, staff would return to Council for direction at a later date.

ATTACHMENT(S)

- A. Debt Policy
- B. 2013 Councilmanic Debt Capacity
- C. Ordinance No. 6089 adopting the 2013-2019 Budget Moody's Rating Report – June 6, 2012
- D. Standard & Poor's Rating Report – June 8, 2012
- E. Draft Bond Ordinance/Resolution

DEBT POLICY

ATTACHMENT A: 02/26/13

Revised: October 2012

Background

The City of Bellevue (City) maintains conservative financial policies to assure strong financial health both in the short- and long-term. The City is an infrequent issuer of debt with debt primarily used as a tool to finance large capital investments such as property acquisitions.

Maintaining the City's bond rating is an important objective of the City's financial policies. To this end, the City is constantly working to improve its financial policies, budgets, forecasts, and financial health.

Purpose

This policy sets forth the criteria for issuance and repayment of debt. The primary objective of the Debt Policy is to establish criteria that will protect the City's financial integrity while providing a funding mechanism to meet the City's capital needs. The underlying approach of the City is to borrow only for: 1) capital improvements that cannot be funded on a pay-as-you-go basis, and 2) extraordinary circumstances where Councilmanic or voted long-term debt has been issued to achieve major City goals that otherwise could not have been achieved, or would have to be delayed for an unacceptable amount of time. The City will not issue long-term debt to finance current operations.

All debt issued will be in compliance with this policy, Bellevue City Code (BCC) Chapter 2.30 - Registration Procedure for Bonds and Obligations, Chapter 35A.40 Revised Code of Washington (RCW) - Fiscal Provisions Applicable to Code Cities and Chapter 43.80 RCW - Fiscal Agencies along with all other City, State, and Federal laws, rules, and regulations.

Scope

This Policy provides general guidance for the issuance and management of all City debt. In addition, it includes the management of all debt absorbed by the City through utility assumptions or the like. It does not include the debt issued by the Bellevue Convention Center Authority.

Responsibility

Authority to issue and manage debt is derived from BCC 2.37.030. This section gives the Finance Director authority to act in the capacity of City Treasurer, which includes the duties of debt management.

This section also authorizes the Finance Director to appoint a subordinate employee from the Department to assist in the performance of the duties of City Treasurer. The Finance Director has appointed the Investment and Debt Manager to act as the Debt Manager to assist in the duties of debt issuance, interest payments, principal repayments and other debt-related activities.

The Finance Director is responsible for assuring that the activities related to the issuance and payment of bonds or other obligations not jeopardize the bond rating.

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Budgeting and Capital Planning

The City shall develop and maintain a capital planning process such as the biennial Capital Investment Program Plan for consideration and adoption by the City Council as part of the City's budget process. The Finance Department is responsible for coordinating and analyzing the debt requirements. This will include timing of debt, calculation of outstanding debt, debt limitation calculations and compliance, impact on future debt burdens, and current revenue requirements.

Prior to issuance of debt, the City will prepare revenue projections, such as the biennial budget or the Financial Forecast, to ensure that there is adequate revenue to make principal and interest payments.

Types of Long-Term Debt

The following is a description of the types of long-term debt the City may issue:

1. General Obligation

This debt is backed by the full faith and credit of the City. The State RCW limits this debt to 2.5% of the assessed valuation of the City for each of three purposes:

a. General Purposes

Debt issued in this category can be used for any purpose allowed by law.

Non-Voted

The City Council may authorize the issuance of general obligation debt up to 1.5% of the City's assessed value without a vote of the public as long as there is an available source of funding to pay the debt service. This funding source can be the diversion of an existing revenue source or a new revenue coming from the enactment of a new tax or other revenue source. The debt can take the form of bonds, bond anticipation notes, lease-purchase agreements, conditional sales contracts, certificates of participation, or other forms of installment debt.

Voted

The City Council may place any general obligation debt issue before the electorate. According to State law, if a debt issue is placed before the City's electorate, it must receive a 60% or greater yes vote and have a turnout of at least 40% of those voting at the previous general election. Voted issues are limited to capital purposes only.

b. Open Space and Parks

Debt issued in this category must be used for park and open space and/or recreation facilities. All debt in this category must be approved by the voters.

c. Utilities

Debt issued in this category must be used for utility infrastructure. All debt in this category must be approved by the voters.

2. Revenue Debt

Revenue bonds are generally payable from a designated source of revenue generated by the project which was financed. No taxing power or general fund pledge is provided as security. Unlike general obligation bonds, revenue bonds are not subject to the City's statutory debt limitation nor is voter approval required.

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3. Local Improvement District (LID) Debt

LID bonds are payable solely from assessments of property owners within the local improvement district. Similar to revenue debt, no taxing power or general fund pledge is provided as security, and LID bonds are not subject to statutory debt limitations.

The debt is backed by the value of the property within the district and a LID Guaranty Fund. The LID Guaranty Fund is required by State law.

4. Other Financing Contracts and Loan Programs

- a. Lease purchase or financing contracts are payment obligations that represent principal and interest components for which the City receives the property after all payments are made.
- b. Local Option Capital Asset Lending (LOCAL) Program is available for use by the City through the Office of the State Treasurer under RCW 39.94. It is a financing program that allows pooling by the State equipment financing and certain real estate project needs into larger offerings of securities, and allows local government agencies the ability to finance equipment or real estate needs through the State Treasurer's Office subject to existing debt limitations and financial considerations.
- c. Public Works Trust Fund Loans are loans from the Public Works Board, authorized by state statute, RCW 43.155 to provide low interest loans, on a competitive basis, to help local governments address critical infrastructure needs for water, stormwater, roads, bridges, and solid waste/recycling systems.

Short-Term Debt and Interim Financing

The City may utilize short-term borrowing in anticipation of long-term bond issuance or to fund cash flow needs in anticipation of tax or other revenue sources.

In accordance with BCC 3.37.070, the Finance Director is authorized to make loans from one City fund to another City fund for periods not exceeding six months. The Finance Director or designee is required to assure that the loaning fund will have adequate cash balances to continue to meet current expenses after the loan is made and until repayment from the receiving fund.

Limitation of Indebtedness

In addition to the limitations required by the RCW, the City's indebtedness is further limited by this policy to assure strong financial health. The limitations are applied to the assessed value of the City to arrive at a dollar value of indebtedness. For example, the 2011 assessed valuation used to determine the 2012 property tax levy was \$30.98 billion, and the statutory limitation for general obligation debt is 2.5%. Therefore, the City's statutory debt limitation is \$774.4 million. The following matrix shows the general limitation by type of debt. These limitations may be modified by the City Council up to the statutory limitation at the Council's discretion.

Type of Debt	Statutory Limitations	Policy Limitations	2012 Bellevue Actual

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Type of Debt	Statutory Limitations	Policy Limitations	2012 Bellevue Actual
General Obligation:	2.5%	1.75%	0.57%
Non-Voted	1.5%	1.0%	0.57%
Voted	1.0%	0.75%	0.00%
Open Space and Parks	2.5%	1.75%	0.00%
Utilities	2.5%	1.75%	0.00%
Revenue	no limit	no limit *	NA
Local Improvement District	no limit	no-limit *	NA

* Revenue and LID debt is not limited because no taxing power or general fund pledge is provided as security.

Structure and Term of Debt

1. Debt Repayment

The City shall pay all interest and repay all debt in accordance with the terms of the bond ordinance. The maturity of bonds issued should be the same or less than the expected life of the project for which the bonds were issued. To the extent possible, the City will seek level or declining debt repayment schedules.

2. Variable-Rate Securities

When appropriate, the City may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities. However, the City will avoid over use of variable-rate debt due to the potential volatility of such instruments.

Professional Services

The City's Finance Department shall be responsible for the solicitation and selection of professional services that are required to administer the City's debt program.

1. Bond Counsel

All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the proposed debt. The opinion shall include confirmation that the City has met all city and state constitutional and statutory requirements necessary for issuance, a determination of the proposed debt's federal income tax status and any other components necessary for the proposed debt.

2. Financial Advisor

A Financial Advisor(s) will be used to assist in the issuance of the City's debt. The Financial Advisor will provide the City with objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring market opportunities, structuring and pricing debt, and preparing official statements of disclosure.

3. Underwriters

An Underwriter(s) will be used for all debt issued in a negotiated or private placement sale method. The Underwriter is responsible for purchasing negotiated or private

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placement debt and reselling the debt to investors. Underwriter(s) will also be used for a competitive sale method. Under a competitive sale, underwriters will submit proposals for the purchase of the new issue of municipal securities electronically and the securities are awarded to the underwriter presenting the lowest true interest cost (TIC) according to stipulated criteria set forth in the notice of sale.

4. Fiscal Agent

A Fiscal Agent will be used to provide accurate and timely securities processing and timely payment to bondholders. In accordance with Chapter 43.80 RCW, the City will use the Fiscal Agent that is appointed by the State.

5. Other Service Providers

The Finance Director will have the authority to periodically select other service providers (e.g., escrow agents, verification agents, trustees, arbitrage consultants, etc.) as necessary to meet legal requirements.

Method of Sale

The City will generally issue its debt through a competitive process but may use a negotiated process under the following conditions.

- The bond issue is, or contains, a refinancing that is dependent on market/interest rate timing.
- At the time of issuance, the interest rate environment or economic factors that affect the bond issue are volatile.
- The nature of the debt is unique and requires particular skills from the underwriter(s) involved.
- The debt issued is bound by a compressed time line due to extenuating circumstances such that time is of the essence and a competitive process cannot be accomplished.

Credit Ratings

The City will maintain good communication with bond rating agencies about its financial condition. This effort will include providing periodic updates on the City's general financial condition, coordinating meetings, and presentations in conjunction with a new issuance. The City will continually strive to maintain the highest possible bond ratings by improving financial policies, budgets, forecasts and the financial health of the City.

Credit enhancements may be used to improve or establish a credit rating on a City debt obligation. Credit enhancements should only be used if cost effective.

Refunding Debt

A debt refunding is a refinance of debt typically done to take advantage of lower interest rates. Unless otherwise justified, such as a desire to remove or change a bond covenant, a debt refunding will require a present value savings of three percent of the principal amount of the refunding debt being issued.

Investment of Bond Proceeds

The City will comply with all applicable Federal, State and Contractual restrictions regarding the investment of bond proceeds including the City of Bellevue Investment

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Policy.

Arbitrage Rebate Monitoring and Reporting

The City will, unless otherwise justified, use bond proceeds within the established time frame pursuant to the bond ordinance, contract or other documents to avoid arbitrage. Arbitrage is the interest earned on the investment of the bond proceeds above the interest paid on the debt. If arbitrage occurs, the City will pay the amount of the arbitrage to the Federal Government as required by Internal Revenue Service Regulation 1.148-11. The City will maintain a system of recordkeeping and reporting to meet the arbitrage rebate compliance requirement of the IRS regulation. For each bond issue not used within the established time frame, the recordkeeping shall include tracking investment earnings on bond proceeds, calculating rebate payments, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the outstanding debt.

Covenant Compliance

The City will comply with all covenants stated in the bond ordinance, contract, etc.

Ongoing Disclosure

The Debt Manager shall be responsible for providing annual disclosure information to the Municipal Standards Rulemaking Board (MSRB) as required by state and national regulatory bodies. To comply with the Securities & Exchange Commission Rule 15c2-12 regulations, ongoing disclosure shall occur by the date designated in the bond ordinance, which is currently September 30 of each year. Disclosure shall take the form of the Comprehensive Annual Financial Report (CAFR) unless information is required by a particular bond issue that is not reasonably contained within the CAFR.

DEBT CAPACITY

ATTACHMENT B: 02/26/2013

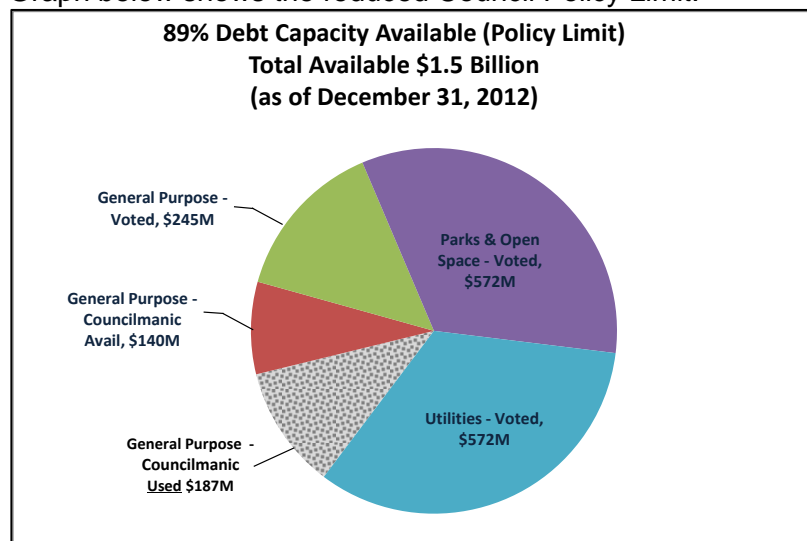
Bellevue's Debt Capacity

Based on Washington State RCW statutory limit, the City's current available debt capacity as of December 31, 2012 was \$2.3 billion. Of this amount, \$303 million is available for General Purpose Councilmanic debt.

In addition to the limitations required by state law, Council decided to take a more conservative approach several years ago and imposed further policy limits on the City's use of debt to assure strong financial health. The table and graph below illustrate further restrictions on the City's use of debt and the resulting reduced Council Policy Limit debt capacity.

	% of Assessed Value (\$ equivalent of debt, \$ also shown in pie chart)		
Type of Debt	Statutory Limitations	Council Policy Limitations	Council Policy Limit Available
General Purpose:			
Non-Voted Councilmanic	1.5%	1.00% (\$327M)	0.43% (\$140M)
Voted	1.0%	0.75% (\$245M)	0.75% (\$245M)
Parks and Open Space - Voted	2.5%	1.75% (\$572M)	1.75% (\$572M)
Utilities – Voted	2.5%	1.75% (\$572M)	1.75% (\$572)
Revenue	No Limit	No Limit	No Limit
Local Improvement District	No Limit	No Limit	No Limit

Graph below shows the reduced Council Policy Limit:



Staff contact: Zemed Yitref, Investment & Debt Manager

Background

- State statutes allow cities to issue general obligation debt at 2.5% of their assessed valuation for each of the following three purposes:
 - General Purposes – can be used for any purpose allowed by law - voted or non-voted (“Councilmanic”) debt.
 - Parks and Open Space – used for parks and open space and/or recreation facilities - must be approved by the voters.
 - Utilities – used for utility infrastructure - must be approved by the voters.
- Bellevue Guiding Principles for use of debt:
 - Maintain Aaa bond rating.
 - Long-term debt should generally be issued only for long-lived assets.
 - Financial management plan for repayment of debt is essential.
 - Review of debt and refinancing when conditions are favorable is essential to effective debt management and capital planning.
- City of Bellevue's Current Existing Debt

Non-Voted Councilmanic Debt (\$ in millions)

1995 Convention Center	\$3
2003 Metro Site	1
2004 City Hall	3
2006 City Hall II	5
2008 Supplemental CIP	12
2009 LOC	30
2010 Marina Refunding	0
2010 Convention Center Improvement - Refunding	9
2010 Limited GO (MII)	11
1991 & 1994 BCCA Lease/Purchase	14
2012 City Hall Refunding	56
2012B City Hall Refunding	43
Total Debt Outstanding	\$187

Moody's Guidelines on Debt

The following are Moody's medians for US cities with a population between 100,000 and 500,000, published in September, 2011 for data during 2010. Less than 10% of Moody's ratings for cities in 2010 were in the Aa1 category. The City's ratings are Aa1 from Moody's and AAA from S&P. S&P does not publish similar medians.

Selected Indicators	Moody's Underlying Rating				
	Aaa	Aa	A	Baa	Ba
Total General Fund Revenues (\$000)	\$203,722	\$149,058	\$440,563	N/A	N/A
General Fund Balance as % of Revenues	21.91	21.55	4.78	N/A	N/A
Unreserved, Undesignated General Fund Balance as % of Revenues	10.46	14.58	1.91	N/A	N/A
Direct Net Debt as % of Full Value	1.22	1.23	3.9	N/A	N/A
Debt Burden (Overall Net Debt as % Full Value)	2.51	3.06	5.05	N/A	N/A
Debt Service as a % of Expenditures	10.59	8.93	7.92	N/A	N/A
Total Full Value (\$000)	\$25,255,286	\$16,895,019	\$11,194,572	N/A	N/A
Population 2000 Census	186,406	155,554	173,133	N/A	N/A
Full Value Per Capita (\$)	\$109,596	\$82,828	\$63,825	N/A	N/A
Top 10 Taxpayers as a % of AV	7.28	6.18	9.61	N/A	N/A
Per Capita Income (2000 Census)	\$23,960	\$20,192	\$16,294	N/A	N/A

When compared to the Aaa median category, the indicators for Bellevue that are lower are related to the General Fund. This is the category where the City has the most significant pressure on its ratings.

Selected Indicators	City of Bellevue (Aa1)
Total General Fund Revenues (\$000)	\$157,746
General Fund Balance as % of Revenues	14.34
Unreserved, Undesignated General Fund Balance as % of Revenues	13.23
Direct Net Debt as % of Full Value	0.58
Debt Burden (Overall Net Direct and Overlapping Debt as % Full Value)	2.43
Debt Service as a % of Expenditures	6.36
Total Full Value (\$000)	\$30,910,083
Population 2000 Census	122,363
Full Value Per Capita (\$)	\$250,487
Top 10 Taxpayers as a % of AV	7.69
Per Capita Income (2000 Census)	\$45,972

However, the City's debt burden is significantly lower than both the Aa and Aaa medians and the City's wealth indicators are substantially higher than the medians.

As of 12/31/2012, the City had \$144.2 million of LTGO bonds outstanding, and \$30.3 million of other nonvoted debt outstanding, broken down as follows:

<u>Limited Tax General Obligation Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
LTGO, 1995	12/27/95	12/01/25	\$ 5,139,935	\$ 2,591,062
LTGO Ref., 2003B	10/29/03	07/01/14	4,635,000	970,000
LTGO, 2004	07/01/04	12/01/43	102,710,000	2,835,000
LTGO, 2006	11/01/06	12/01/26	6,060,000	4,740,000
LTGO, 2008	02/07/08	12/01/27	14,230,000	11,555,000
LTGO Ref., 2010	09/28/10	12/01/32	12,875,000	11,435,000
LTGO, 2010	10/14/10	12/01/30	11,825,000	10,990,000
LTGO Ref., 2012	04/17/12	12/01/43	55,875,000	55,875,000
LTGO Ref., 2012B	07/18/12	12/01/43	43,185,000	43,185,000
LTGO Bond Total			<u>\$256,534,935</u>	<u>\$144,176,062</u>
 <u>Other Nonvoted General Obligation Debt</u>				
BCCA Spcl. Obl. Rev. Bonds, 1991B ⁽¹⁾	08/01/91	12/01/19	21,969,676	4,568,206
BCCA Spcl. Obl. Rev. & Ref. Bonds, 1994 ⁽¹⁾	11/05/93	12/05/25	13,749,073	10,175,929
CTED PWTF Loan	02/01/07	02/01/28	750,000	557,813
BofA Line of Credit ⁽²⁾	10/05/09	10/20/13	<u>15,047,000</u>	<u>15,047,000</u>
Other Nonvoted Debt Total			<u>\$ 51,515,749</u>	<u>\$ 30,348,948</u>
Nonvoted Debt Total ⁽³⁾			<u>\$ 308,050,684</u>	<u>\$ 174,525,010</u>

⁽¹⁾ The Bellevue Convention Center Authority's special obligation revenue bonds are secured by lodging tax and other revenues of the City available without a vote of the City's electors.

⁽²⁾ The total authorized amount of the line of credit is \$30 million, of which \$15,047,000 was drawn as of December 31, 2012.

⁽³⁾ The total of 174,525,010 does not include the remaining undrawn portion of line of credit \$14,953,000 noted in (2) above. The entire \$30,000,000 LOC is applied against our debt policy. Total use of debt is \$188M (\$174M + \$14M).

ORIGINAL

ATTACHMENT C

1307-ORD
11/29/12

CITY OF BELLEVUE, WASHINGTON

ORDINANCE NO. 6089

AN ORDINANCE adopting the City of Bellevue's 2013-2014 Budget and 2013-2019 Capital Investment Program Plan; setting forth the estimated revenues and appropriations; establishing job classifications and pay ranges; and establishing an effective date.

WHEREAS, a preliminary biennium budget for 2013-2014 was prepared and filed with the City Clerk as required by law; and

WHEREAS, public hearings were held by the City Council on the preliminary biennium budget and the preliminary 2013-2019 Capital Investment Program Plan, at which time comments for or against any part of the preliminary biennium budget and the preliminary 2013-2019 Capital Investment Program Plan were heard; and

WHEREAS, on May 14, July 23, and November 19, 2012, the City Council held a public hearing upon notice as prescribed by law, and met for the purpose of fixing the final budget of the city for the 2013-2014 fiscal biennium and the 2013-2019 Capital Investment Program Plan; and

WHEREAS, the City Council has made adjustments and changes as it deemed necessary or proper and desires to adopt the 2013-2014 Budget and the 2013-2019 Capital Investment Program Plan; and to appropriate monies to each of the City's funds in order to fund expenditures authorized in the 2013-2014 Budget and the 2013-2019 Capital Investment Program Plan; now, therefore,

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES
ORDAIN AS FOLLOWS:

Section 1. Estimated Revenues and Appropriation.

(a) The 2013-2014 Estimated Revenues and Appropriation for each Operating Fund is as follows:

<u>Operating Funds</u>	<u>2013-2014 Budget</u>
General Fund	\$351,034,035
Development Services Fund	37,219,293
Equipment Rental Fund	30,684,112
Facilities Services Fund	14,447,160
Franchise Fund	3,798,033
General Self-Insurance Fund	9,607,770
Health Benefits Fund	50,352,262
Hotel/Motel Tax Fund	21,031,413
Human Services Fund	8,458,259
Information Technology Fund	31,587,202
Land Purchase Revolving Fund	3,472,570
LEOFF I Medical Reserve Fund	12,957,709
Marina Fund	1,596,589
Park M&O Reserve Fund	6,813,137
Parks Enterprise Fund	13,236,717
Sewer Utility Fund	114,937,640
Solid Waste Fund	2,598,600
Storm & Surface Water Utility Fund	47,352,964
Unemployment Compensation Fund	871,000
Water Utility Fund	103,901,308
Worker's Compensation Fund	5,036,000
Total Operating Budget	\$870,993,773

(b) The 2013-2014 Estimated Revenues and Appropriation for each Special Purpose Fund is as follows:

<u>Special Purpose Funds</u>	<u>2013-2014 Budget</u>
Firemen's Pension	\$7,406,234
Housing Fund	5,330,563
Interest & Debt Redemption - Regular Fund	38,011,005
LID Control Fund	1,296,721
LID Guaranty Fund	240,232
Operating Grants, Donations, and Special Reserves Fund	7,742,184
Total Special Purpose Budget	\$60,026,939

(c) The 2013-2014 Estimated Revenues and Appropriation for each Capital Projects Fund is as follows:

<u>Capital Projects Funds</u>	<u>2013-2014 Budget</u>
General Capital Investment Program Fund	\$201,712,600
Utility Capital Investment Program Fund	<u>161,016,451</u>
Total Capital Projects Budget	\$362,729,051

The appropriations authorized in subsection (c) above shall be for the purpose of funding those projects set forth in the 2013-2019 Capital Investment Program Plan of the City of Bellevue, Washington, a copy of which has been given Clerk's Receiving No. _____.

Section 2. The job classifications and pay ranges for employees of the City, as set forth in the 2013 City of Bellevue Pay Plans, hereby adopted as part of the biennium budget.

Section 3. All employees who are members of a bargaining unit shall receive such pay and benefits as are provided for in the appropriate collective bargaining agreement.

Section 4. The provisions of Sections 1-3 of this ordinance shall take effect on January 1, 2013.

Section 5. The City Clerk is directed to transmit a certified copy of this ordinance to the Office of the Auditor of the State of Washington, Division of Municipal Corporations and to the Association of Washington Cities.

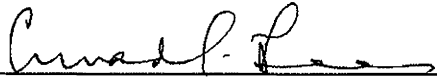
Section 6. This ordinance shall take effect and be in force five (5) days after its passage and legal publication.

1307-ORD
11/29/12 - -

ORIGINAL

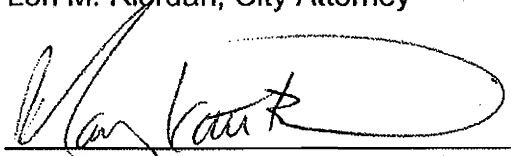
Passed by the City Council this 3rd day of December, 2012 and signed in authentication of its passage this 3rd day of December, 2012.

(SEAL)

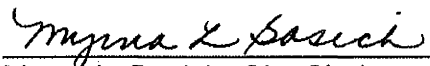

Conrad Lee, Mayor

Approved as to form:

Lori M. Riordan, City Attorney


Mary Kate Berens, Deputy City Attorney

Attest:


Myrna L. Basich, City Clerk

Published 12/6/12

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa1 rating to City of Bellevue, Washington's Limited Tax General Obligation Refunding Bonds, 2012B

Global Credit Research - 06 Jun 2012

\$42.8 million of rated debt affected

BELLEVUE (CITY OF) WA
Cities (including Towns, Villages and Townships)
WA

Moody's Rating

ISSUE	RATING
Limited Tax General Obligation Refunding Bonds, 2012B	Aa1
Sale Amount	\$42,795,000
Expected Sale Date	06/11/12
Rating Description	General Obligation Limited Tax

Moody's Outlook N/A

Opinion

NEW YORK, June 06, 2012 –Moody's Investors Service has assigned a Aa1 rating to the City of Bellevue, Washington's Limited Tax General Obligation Refunding Bonds, 2012B. The bonds are secured by the full faith and credit of the city within the constitutional and statutory limitations of non-voter approved debt. Proceeds will refund certain maturities of the city's outstanding Limited Tax General Obligation Bonds, Series 2004. Moody's maintains a Aaa issuer rating on the city, a Aa1 rating on the city's LTGO debt outstanding in the amount of \$105.0 million and a stable outlook on its long-term ratings.

SUMMARY RATING RATIONALE

The Aa1 rating assignment primarily reflects the city's limited tax general obligation pledge and its strong general credit characteristics that include a large and affluent tax base, satisfactory financial performance expected to improve over the near-term, and a manageable debt burden.

STRENGTHS

- Stable presence of advanced industries that attract skilled workers
- Sizable available fund balances outside the general fund
- Strong management practices that include multi-year forecasting and long-term capital planning

CHALLENGES

- Cyclicalities of business occupancy and sales and tax revenue streams
- Slow payout for long-term debt

DETAILED CREDIT DISCUSSION

LARGE AND AFFLUENT CITY LOCATED IN PUGET SOUND AREA

The city's tax base remains large compared to medians for Aaa-rated cities with an assessed valuation (AV) of \$30.9 billion as of 2012. Prior to the national recession and ongoing housing downturn nationwide, the city's tax base grew to a peak AV of \$37.6 billion in 2009 due to upward revaluations of existing property as well as in-fill residential and commercial development. However, the city's tax base declined by a moderate 17.9% over the last three years amid ongoing downturn, though declines have been less significant than in other portions of King County. For 2013, officials anticipate that the tax base may decline only slightly by an estimated 1.0% due in part to support from current construction activity, particularly for multifamily housing. Despite recent AV declines, property wealth remains affluent with an AV per capita of \$250,487 for 2012 that is supported by the presence of skilled workers.

The 31 square-mile city is located in King County (Aaa UTGO rating with stable outlook) to the east of Seattle (Aaa UTGO rating with stable outlook). The city was historically a bedroom community but positioned itself for economic development through managed planning and zoning initiatives that evolved the city into a significant employment center within the region. Residents benefit from diverse employment opportunities within the area, including the presence of Microsoft Corporation (Aaa issuer rating with stable outlook) and The Boeing Company (A2 senior unsecured rating with stable outlook). The region also benefits from strong Asian trade ties that support export activity. As of March 2012, the city's unemployment rate was 6.2%, which was significantly below both state (8.8%) and national (8.4%) levels.

FINANCIAL PERFORMANCE TO IMPROVE AMID NASCENT ECONOMIC RECOVERY

The city's general fund balance averaged 12.6% of general fund revenues in fiscal years 2007 through 2010, which was below average compared to many Aaa-rated cities. The city's general fund balance narrowed at the outset of the national downturn, but reserve levels continue to show signs of improvement since fiscal 2010. Declining fund balance was due to softness in cyclical business occupancy (B&O) and sales tax revenues, and also a one-time transfer of \$8.0 million to the capital improvement fund in fiscal 2008. Importantly, certain fund balances outside the general fund are legally available to support operations, if necessary, and include balances in the land purchase, information technology, facility services, and equipment rental funds. The city's available fund balance averaged a satisfactory equivalent of 26.8% of general fund revenues in fiscal years 2007 through 2010.

Unaudited data for fiscal 2011 indicate that general fund balance improved again to 14.1% of revenues (\$22.6 million) due in part to \$6.5 million of budgetary adjustments as management continued to limit expenditure growth by restricting discretionary spending, reducing headcount mostly through attrition, and reducing transfers to other funds. Unaudited data indicate that available fund balance improved slightly over the prior year to the equivalent of 23.9% of general fund revenues. Also of note, the city retains \$8.8 million of banked capacity for its regular operating levy, which provides management with flexibility to increase future property tax revenues for the general fund since the city does not always grow the levy at the maximum annual rate of 1.0% that is allowed by statutory limits.

Looking forward, recovery in cyclical revenue streams is expected to support general fund operating performance since B&O and sales taxes represented a significant share of general fund resources (33.3% of revenues as of fiscal 2010). Management's biennial budget ending fiscal 2012 anticipates an operating surplus of at least \$6.3 million for the period. This surplus would boost general fund balance on a pro forma basis toward stronger pre-recession levels. Expected improvement in financial performance over the near-term is attributed in part to estimated growth in sales taxes of 4.9% as consumer activity improves, and growth in B&O revenues of 2.5% in 2012 as businesses slowly absorb vacant office space.

The city is a participant in Washington's retirement systems for several defined-benefit pension plans. Most employees are enrolled in Public Employees Retirement System (PERS) plans and public safety employees are enrolled in the system's related specialty plans (LEOFF and PSERS, respectively). On a combined basis, the state's pension plans were 102.0% as of 2010, based in part on a somewhat aggressive 8.0% investment return rate. The city and employees have funded 100.0% of annual pension contribution requirements, including a combined \$7.5 million of contributions in fiscal 2010. Additionally, the city also provides other postemployment benefits (OPEB) of health care for public safety retirees, as required by state statutes. OPEB benefits are funded on a pay-go basis, and payments are supported by a reserve fund which had a \$13.8 million balance in fiscal 2010 that provided substantial resources to support OPEB payments of \$1.8 million in that year. The OPEB accrued liability (UAAL) of \$50.8 million as of fiscal 2010 was calculated conservatively based upon a 3.3% discount rate.

MANAGEABLE DEBT PROFILE

Moody's expects that the city's debt profile will remain manageable due to a low debt burden and despite slow payout of principal. The city's direct debt burden is modest at 0.5%, and management currently has no plans to issue

additional debt since capital projects are generally funded on a pay-go basis. Payout of principal remains slow at 28.5% in ten years. For the next five years, annual debt service requirements for the city's LTGO bonds average a manageable 6.6% of general fund revenues, declining modestly over time as outstanding debt matures.

Of note, the city has a revolving line of credit with Bank of America. The line has a maximum of \$30.0 million and funds are used to support pay-go capital projects. As of fiscal 2011, the city drew \$15.0 million from this facility, which expires in October 2013 and will be repaid with dedicated resources outside of the general fund. Lastly, the Bellevue Convention Center Authority has \$15.9 million of outstanding revenue bonds that are reportedly self-supporting by the city's lodging taxes as well as other resources, and the general fund does not provide a backstop to support the convention center's operations.

WHAT COULD MAKE THE RATING GO UP

- Not applicable

WHAT COULD MAKE THE RATING GO DOWN

- Deterioration of the city's financial position relative to peers nationally
- Significant, additional tax base declines to an AV inconsistent with peers nationally

KEY STATISTICS

Estimated population: 123,400

2012 assessed value: \$30.9 billion

Average annual growth in assessed value (2007-2012): 3.1%

2012 assessed value per capita: \$250,487

1999 per capita income: 171.0% of U.S. (\$36,905)

1999 median family income: 153.6% of U.S. (\$76,868)

Direct debt burden: 0.5%

Overall debt burden: 2.4%

General fund burden, LTGO debt: 6.6% of general fund revenues from fiscal 2010

Payout of principal, 10 years: 28.5%

Fiscal 2010 general fund balance: 12.5% of revenues (\$19.8 million)

Estimated fiscal 2011 general fund balance: 14.1% of revenues (\$22.6 million)

Estimated fiscal 2011 available fund balance: 23.9% of general fund revenues (\$37.5 million)

RATING METHODOLOGY

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published, in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory

disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody's.com.

Information sources used to prepare the rating are the following: parties involved in the ratings, parties not involved in the ratings, public information, confidential and proprietary Moody's Investors Service's information, and confidential and proprietary Moody's Analytics' information.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

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The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moody's.com for further information.

Please see www.moody's.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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INVESTORS SERVICE

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**STANDARD
& POOR'S**

Global Credit Portal[®]

RatingsDirect[®]

June 8, 2012

Summary:

Bellevue, Washington; General
Obligation; General Obligation
Equivalent Security

Primary Credit Analyst:

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Rationale

Outlook

Related Criteria And Research

Summary:

Bellevue, Washington; General Obligation; General Obligation Equivalent Security

Credit Profile

US\$42.795 mil GO rfdg bnds ser 2012B due 12/01/2043

Long Term Rating

AAA/Stable

New

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating to Bellevue, Wash.'s series 2012B limited-tax general obligation (GO) refunding bonds and affirmed its 'AAA' rating and underlying rating (SPUR) on the city's existing GO debt. The outlook is stable.

The ratings reflect our view of the city's:

- Participation in the large and diverse Puget Sound area economy, and strong income levels;
- High market value per capita, an indicator of wealth, of nearly \$255,000;
- Record of good finances and strong reserves (though they have declined recently); and
- Strong financial management practices.

The city's full faith and credit pledge to levy taxes on property within the city, subject to a statutory limit of \$3.60 per \$1,000 of assessed value (AV), secures the bonds.

Bellevue, with an estimated population of 122,000, is just east of Seattle in King County, which is part of a diverse economic and employment base. The city is near Microsoft's headquarters, the University of Washington, and Seattle. Residents have access to a broad employment base that also includes Boeing. The city's development slowed in 2008 and 2009, but the rate of decline seems to have flattened; city officials believe moderate growth could occur in 2012. Other signs of economic recovery include a decline in the city business district's vacancy rate in the fourth quarter of 2011 to 14.5% from 16.6% for the same period the previous year. The property tax base is diverse, in our view, with the 10 leading taxpayers accounting for 7.7% of AV. Following three years of declines, total AV is \$31 billion, or \$254,729 per capita, which we still consider extremely strong..

Residents have access to the diverse greater Puget Sound area economy. As a result, incomes are very strong, in our view: Per capita and median household effective buying incomes are 174% and 148%, respectively, of national averages. Bellevue is also a retail trade center, and its per capita retail sales are 184% of the national level, which we consider strong. Unemployment, at 8.4% for fiscal 2011, has been consistently below area and national rates.

Following two years of draws on reserves, the city's fund balances remain strong, in our view, and the final general fund balances improved in fiscal years 2010 and 2011. Preliminary fiscal 2011 numbers show an approximate \$2.8 million surplus and an increase in the available general fund balance to \$22.1 million, or about 14.8% of expenditures. The city projects it will meet the fund balance target of 15% of revenue by fiscal 2012. The \$8.8 million of banked levy capacity provides stability to the city's finances; the city council could levy the tax annually without electorate approval, but it currently does not plan to do this. For audited fiscal 2010, the city added \$3.6

million to general fund balance, which brought unreserved fund balance to \$19.8 million, or 13.1% of expenditures, which we consider strong.

Standard & Poor's considers Bellevue's financial management practices "strong" under its Financial Management Assessment (FMA) methodology, indicating practices are strong, well embedded, and likely sustainable.

The 2012B refunding is for savings purposes, and we understand that the city has no immediate plans for additional debt. In our opinion, overall debt is low at 2.4% of market value, reflecting the strong property tax base, and high at \$6,000 per capita. Debt service as a percent of total fund expenditures is 5.7%, which we view as low.

Bellevue's employees participate in the state's retirement plans, and both the city and employees have made 100% of their required contributions. The city provides other postemployment benefits (OPEB), and as of Dec. 31, 2010, the estimated unfunded actuarial accrued liability was \$51 million. The city funds its OPEB costs on a pay-as-you-go basis. The city contributed to a medical reserve that currently holds \$13.8 million; it can use this money to fund pay-as-you-go costs.

Outlook

The stable outlook reflects our anticipation that the city will likely continue to align expenditures with revenues and rebuild its reserves to its policy target level. We do not expect to take a negative rating action due to our understanding of the city's commitment to rebuild its reserves, but we could consider doing so if the city's finances do not meet management's projections. The outlook also takes into consideration the city's full participation in the diverse and healthy regional economy.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- State And Local Government Ratings Are Not Directly Constrained By That Of The U.S. Sovereign, Aug. 8, 2011

Ratings Detail (As Of June 8, 2012)		
Bellevue Ltd tax go bonds ser 2002		
Long Term Rating	AAA/Stable	Affirmed
Bellevue Ltd tax GO bonds dtd 07/01/2004 due 12/01/2010-2029 2034 2039 2043		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
Bellevue Lmted Tax GO bonds ser 2008		
Long Term Rating	AAA/Stable	Affirmed
Bellevue Ltd tax GO (New City Building II)		
Long Term Rating	AAA/Stable	Affirmed
Bellevue GO		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed
Bellevue Conv Ctr Auth, Washington		
Bellevue, Washington		
Bellevue Conv Ctr Auth Ise		
Long Term Rating	AAA/Stable	Affirmed

Ratings Detail (As Of June 8, 2012) (cont.)

Bellevue Conv Ctr Auth (Bellevue) spl oblig ser 93 A B

Long Term Rating

AAA/Stable

Affirmed

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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The McGraw-Hill Companies

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CITY OF BELLEVUE, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BONDS, 2013

ORDINANCE NO. _____

AN ORDINANCE of the City of Bellevue, Washington, providing for the issuance of limited tax general obligation bonds of the City in the aggregate principal amount of not to exceed [\$_____] for the purpose of [providing funds to finance, reimburse or refinance a portion of the cost of the City's capital improvement program]; authorizing a preliminary and final official statement; approving a competitive sale of such bonds; providing for the disposition of the proceeds of sale of such bonds; providing for continuing disclosure; and delegating the authority to approve the final terms of the bonds.

Passed: April 1, 2013

Prepared By

PACIFICA LAW GROUP LLP
1191 Second Avenue, Suite 2100
Seattle, Washington 98101-2945

ORDINANCE NO. _____

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* This Table of Contents is provided for reference only and does not constitute a part of the Ordinance for which it is provided.

ORDINANCE NO. ____

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AN ORDINANCE of the City of Bellevue, Washington, providing for the issuance of limited tax general obligation bonds of the City in the aggregate principal amount of not to exceed [\$_____] for the purpose of [providing funds to finance, reimburse or refinance a portion of the cost of the City's capital improvement program]; authorizing a preliminary and final official statement; approving a competitive sale of such bonds; providing for the disposition of the proceeds of sale of such bonds; providing for continuing disclosure; and delegating the authority to approve the final terms of the bonds.

WHEREAS, the City Council of the City of Bellevue, Washington (the "City"), has determined that it is in the public interest to finance a portion of the costs of its Capital Improvement Program ("CIP") Plan, including _____ (collectively, the "Project"); and

WHEREAS, pursuant to Ordinance No. 5898, enacted by the City Council on August 3, 2009, the City has designated certain property located within the City as a "local revitalization area" within the meaning of chapter 39.104 RCW; and

WHEREAS, pursuant to chapter 39.104 RCW, the City is authorized to undertake a "local revitalization financing" within the meaning of chapter 39.104 RCW by using revenues received from a local option sales and use tax imposed pursuant to RCW 82.14.510 to pay the principal of and interest on bonds issued to finance "public improvements" within the meaning of chapter 39.104 RCW within a local revitalization area; and

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WHEREAS, pursuant to Ordinance No. [____], enacted by the City on [_____, 20__], and RCW 82.14.505 and RCW 82.14.510, the City has levied and imposed a local option sales and use tax at a rate of [0.____] percent (the "Local Option Sales and Use Tax") to generate revenues for such purposes in an aggregate annual amount of approximately \$500,000 (the "Local Option Sales and Use Tax Revenue"); and

WHEREAS, the Project includes public improvements eligible for local revitalization financing; and

WHEREAS, the City is authorized by chapters 35A.40 and 39.46 RCW to borrow money and issue general obligation bonds to finance the costs of the Project; and

WHEREAS, the Council deems it in the best interest of the City to issue limited tax general obligation bonds in the aggregate principal amount of not to exceed [\$_____] (the "Bonds") to provide financing for the Project, and to pay costs of issuing the Bonds; and

WHEREAS, the Council wishes to delegate authority to the City Manager and/or the Finance Director of the City, or his or her designee (each, a "Designated Representative"), for a limited time, to approve the interest rates, maturity dates, redemption terms and principal maturities for the Bonds within the parameters set by this ordinance; and

WHEREAS, the Bonds authorized herein shall be sold pursuant to a competitive sale as herein provided;

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NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. Definitions and Interpretation of Terms. As used in this ordinance, the following words shall have the following meanings, unless a different meaning clearly appears from the context:

Approved Bid means the winning bid submitted for the Bonds.

Bond Insurance Policy means the municipal bond insurance policy, if any, issued by the Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

Bond Register means the registration books showing the name, address and tax identification number of each Registered Owner of the Bonds, maintained pursuant to Section 149(a) of the Code.

Bond Registrar means, initially, the fiscal agency of the State of Washington, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying interest on and principal of the Bonds.

Bonds mean the not to exceed [\$_____] aggregate principal amount of the City of Bellevue, Washington, Limited Tax General Obligation Bonds, 2013 issued pursuant to this ordinance.

Bond Year means each one-year period that ends on the date selected by the City. The first and last Bond Years may be short periods. If no day is selected by the City before the earlier of the final maturity date of the Bonds or the date

that is five years after the date of issuance of the Bonds, Bond Years end on each anniversary of the date of issue and on the final maturity date of the Bonds.

CEDE & Co. means the nominee of The Depository Trust Company.

City means the City of Bellevue, Washington, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of Washington.

City Council means the legislative authority of the City as the same shall be duly and regularly constituted from time to time.

Code means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

Commission means the Securities and Exchange Commission.

Debt Service Fund means the Interest and Debt Redemption Regular Levy fund of the City.

Designated Representative means the City Manager and/or the Finance Director of the City or his or her designee. The signature of one Designated Representative shall be sufficient to bind the City.

DTC means The Depository Trust Company of New York, as depository for the Bonds, or any successor or substitute depository for the Bonds.

Finance Director means the Finance Director of the City and any successor to the functions of such office.

Fund means the City's [General CIP Fund] as described in Section 8 hereof.

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Government Obligations means those obligations now or hereafter defined as such in chapter 39.53 RCW, as such chapter may be hereafter amended or restated.

Insurer means the municipal bond insurance company, specified by the successful bidder for the Bonds, or any successor thereto or assignee thereof, as issuer of a Bond Insurance Policy for the Bonds.

Letter of Representations means the Blanket Letter of Representations from the City to DTC.

Local Option Sales and Use Tax means the local option sales and use tax levied and imposed initially at a rate of [0.____] percent by the City pursuant to Ordinance No. [____], adopted on [_____, 20____], as authorized by RCW 82.14.505 and RCW 82.14.510.

Local Option Sales and Use Tax Revenue means the Local Option Sales and Use Tax credit revenues received by the City in an aggregate annual amount of approximately \$500,000.

LRF Improvements means the portion of the Project eligible for financing from Local Option Sales and Use Tax Revenue, including the NE 4th Street Extension, as described CIP Project Interim Number G80 Mobility Initiative and as detailed in City Ordinance No. 5898.

MSRB means the Municipal Securities Rulemaking Board or any successor to its functions.

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Net Proceeds, when used with reference with the Bonds, means the principal amount of the Bonds, plus accrued interest and original issue premium, if any, and less original issue discount, if any.

Notice of Sale means the notice of bond sale authorized to be given in Section 12 of this ordinance.

Private Person means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

Private Person Use means the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private Person at municipal meetings or business rental of property to the Private Person on a short-term basis in accordance with regulations under the Code if the rental paid by such Private Person is the same as the rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a *de minimis* fee to cover custodial expenses.

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Project means [constructing, acquiring, improving and equipping a portion of the City's Capital Improvement Program Plan, including but not limited to the LRF Improvements and improvements to 120th Avenue NE] [*project description to be revised as necessary*].

Registered Owner means the person in whose name a Bond is registered on the Bond Register. For so long as the City utilizes the book-entry system for the Bonds, DTC shall be deemed to be the Registered Owner.

Rule means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Interpretation. In this ordinance, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this ordinance, refer to this ordinance as a whole and not to any particular article, section, subdivision or clause hereof, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this ordinance;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this ordinance, and any table of contents or marginal notes appended to copies

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hereof, shall be solely for convenience of reference and shall not constitute a part of this ordinance, nor shall they affect its meaning, construction or effect; and

(e) All references herein to "articles," "sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof.

Section 2. Findings. The City Council hereby finds that it is in the public interest for the City to issue the Bonds to finance, refinance and/or reimburse the City for a portion of the costs of the Project. If the City Council shall determine that it has become impractical to acquire any portion of the Project by reason of changed conditions, the City shall not be required to acquire such portions of the Project. If all of the Project has been acquired or constructed or duly provided for, or found to be impractical, the City Council may apply the Bond proceeds or any portion thereof to the redemption of the Bonds or to other capital purposes as the City Council, in its discretion, shall determine.

Section 3. Authorization of Bonds and Description of Bonds. The City is hereby authorized to issue and sell the Bonds in one or more series in the aggregate principal amount of not to exceed [\$_____] to provide funds to finance, refinance and/or reimburse costs of the Project and to pay costs of issuance of the Bonds. The Bonds shall be general obligations of the City; shall be designated the "City of Bellevue, Washington, Limited Tax General Obligation Bonds, 2013", with such designation as determined to be necessary by the Designated Representative; shall be dated as of their date of delivery; shall be fully registered as to both principal and interest; shall be in the denomination of

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\$5,000 each, or any integral multiple thereof, provided that no Bond shall represent more than one maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; and shall bear interest from their date payable on the first days of each _____ and _____, commencing on the date and at rates set forth in the Approved Bid; and shall mature on the dates and in the principal amounts set forth in the Approved Bid and as approved by the Designated Representative pursuant to Section 12. The Bonds of any of the maturities may be combined and issued as term bonds, subject to mandatory redemption as provided in the Notice of Sale for the Bonds and the Approved Bid.

Section 4. Registration, Transfer and Payment of Bonds.

(a) *Bond Registrar/Bond Register.* The City hereby specifies and adopts the system of registration approved by the Washington State Finance Committee from time to time through the appointment of the state fiscal agency. The City shall cause a Bond Register to be maintained by the Bond Registrar. So long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Bonds at its principal corporate trust office. The Bond Registrar may be removed at any time at the option of the Finance Director upon prior notice to the Bond Registrar and a successor Bond Registrar appointed by the Finance Director. No resignation or removal of the Bond Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf of

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the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Bond Registrar's powers and duties under this ordinance. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Bonds.

(b) *Registered Ownership.* The City and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in Section 14 of this ordinance), and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 4(h) hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 4(h) shall be valid and shall satisfy and discharge the liability of the City upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letters of Representations.* The Bonds initially shall be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City has executed and delivered to DTC a Blanket Issuer Letter of Representations. Neither the City nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the

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principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Bond Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully-immobilized form hereunder, DTC, its nominee or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

If any Bond shall be duly presented for payment and funds have not been duly provided by the City on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until it is paid.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of "Cede & Co.", as nominee of DTC, with one Bond maturing on each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Finance Director

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pursuant to subsection (2) below or such substitute depository's successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Finance Director to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Finance Director may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Bond Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the Finance Director, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Finance Director.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Finance Director determines that it is in the best interest of the Beneficial Owners of the Bonds that such owners be able to obtain such bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully-immobilized form. The Finance Director shall deliver a written request to the Bond Registrar, together with a supply of definitive

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Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds together with a written request on behalf of the Finance Director to the Bond Registrar, new Bonds shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity, and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity, and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer or to exchange any Bond during the 15 days

preceding any interest payment or principal payment date any such Bond is to be redeemed.

(f) *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Bond Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

(g) *Registration Covenant.* The City covenants that, until all Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

(h) *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months. For so long as all Bonds are in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the fifteenth day of the month preceding the interest payment date, or upon the written request of a Registered Owner of more than \$1,000,000 of Bonds (received

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by the Bond Registrar at least 15 days prior to the applicable payment date), such payment shall be made by the Bond Registrar by wire transfer to the account within the continental United States designated by the Registered Owner. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Bond Registrar.

Section 5. Redemption and Purchase.

(a) *Mandatory Redemption of Term Bonds and Optional Redemption, if any.* The Bonds shall be subject to optional redemption on the dates, at the prices and under the terms set forth in the Notice of Sale approved by the Designated Representative pursuant to Section 12 of this ordinance. The Bonds shall be subject to mandatory redemption to the extent, if any, set forth in the Approved Bid and as approved by the Designated Representative pursuant to Section 12 of this ordinance.

(b) *Purchase of Bonds.* The City reserves the right to purchase any of the Bonds offered to it at any time at a price deemed reasonable by the Finance Director.

(c) *Selection of Bonds for Redemption.* For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held in uncertificated form, the selection of such Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the following provisions of this subsection (c). If the City redeems at any one time fewer than all of the Bonds

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having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the City and the Bond Registrar shall treat each Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations herein authorized.

(d) *Notice of Redemption.*

(1) Official Notice. For so long as the Bonds are held in uncertificated form, notice of redemption (which notice may be conditional on the receipt of sufficient funds for redemption or otherwise) shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. Thereafter (if the Bonds are no longer held in uncertificated form), notice of redemption shall be given in the manner hereinafter provided. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be

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given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

All official notices of redemption shall be dated and shall state:

- (A) the redemption date,
- (B) the redemption price,
- (C) if fewer than all outstanding Bonds are to be redeemed, the identification by maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (D) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,
- (E) any conditions to redemption, and
- (F) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Bond Registrar.

On or prior to any redemption date (unless such notice of redemption has been rescinded), the City shall deposit with the Bond Registrar an amount of

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money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

(2) Effect of Notice; Bonds Due. If an unconditional notice of redemption has been given as aforesaid, or if the conditions to redemption have been satisfied or waived, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

(3) Additional Notice. In addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed.

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Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to Section 14, the Insurer, if any, and to the Underwriter and with such additional information as the City shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(4) Amendment of Notice Provisions. The foregoing notice provisions of this Section 5, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 6. Form of the Bonds. The Bonds shall be in substantially the following form, with appropriate or necessary insertions, depending upon the omissions and variations as permitted or required hereby:

[DTC LANGUAGE]

UNITED STATES OF AMERICA

NO. _____

\$ _____

STATE OF WASHINGTON
CITY OF BELLEVUE
LIMITED TAX GENERAL OBLIGATION BOND, 2013

INTEREST RATE: %

MATURITY DATE:

CUSIP NO.:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

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The City of Bellevue, Washington, a municipal corporation organized and existing under the laws and Constitution of the State of Washington (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount specified above, unless redeemed prior thereto as provided herein, together with interest on such Principal Amount from _____, 2013, or the most recent date to which interest has been paid or duly provided for, at the Interest Rate set forth above payable _____ 1, 201_, and semiannually thereafter on each _____ 1 and _____ 1 until payment of the principal sum has been made or duly provided for. Both principal of and interest on this bond are payable in lawful money of the United States of America. The fiscal agency of the State of Washington has been appointed by the City as the authenticating agent, paying agent and registrar for the bonds of this issue (the "Bond Registrar"). For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the City to DTC.

This bond is one of an authorized issue of limited tax general obligation bonds of the City of like date and tenor, except as to number, interest rate and date of maturity, in the aggregate principal amount of \$_____, issued pursuant to Ordinance No. _____ of the City, passed on April 1, 2013 (the "Bond Ordinance"), to finance, reimburse or refinance a portion of the costs of the City's Capital Improvement Program Plan and to pay costs of issuance of the Bonds, as further provided in the Bond Ordinance.

The bonds of this issue are subject to redemption prior to their stated maturities as provided in the Bond Ordinance and the Approved Bid.

The City has irrevocably covenanted with the owner of this bond that it will annually include in its budget and levy taxes, within and as a part of the tax levy permitted to cities without a vote of the electorate, upon all the property subject to taxation in amounts sufficient, together with other money legally available therefor, to pay the principal of and interest on this bond as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

The bonds of this issue have not been designated by the City as "qualified tax-exempt obligations" for investment by financial institutions under Section 265(b) of the Code.

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The pledge of tax levies for payment of principal of and interest on the bonds may be discharged prior to maturity of the bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

Reference is made to the Bond Ordinance as more fully describing the covenants with and the rights of Registered Owners of the bonds or registered assigns and the meanings of capitalized terms appearing on this bond which are defined in such ordinance.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

It is hereby certified and declared that this bond is issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and ordinances of the City, that all acts, conditions and things required to be done precedent to and in the issuance of this bond and the bonds of this issue have happened, been done and performed, and that this bond and the bonds of this issue do not exceed any constitutional or statutory limitations.

IN WITNESS WHEREOF, the City of Bellevue, Washington, has caused this bond to be signed on behalf of the City with the manual or facsimile signature of the Mayor and to be attested by the manual or facsimile signature of the Clerk of the City, and the seal of the City imprinted, impressed or otherwise reproduced hereon as of this ____ day of _____, 2013.

[SEAL]

CITY OF BELLEVUE, WASHINGTON

By _____ /s/ manual or facsimile
Mayor

ATTEST:

_____/s/ manual or facsimile
City Clerk

The Certificate of Authentication for the Bonds shall be in substantially the following form and shall appear on each Bond:

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

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This bond is one of the City of Bellevue, Washington, Limited Tax General Obligation Bonds, 2013, dated _____, 2013.

WASHINGTON STATE FISCAL
AGENCY, as Bond Registrar

By _____
Authorized Signer

Section 7. Execution of the Bonds. The Bonds shall be executed on behalf of the City with the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk and the seal of the City shall be impressed, imprinted or otherwise reproduced thereon. In case either or both of the officers who have signed or attested any of the Bonds cease to be such officer before such Bonds have been actually issued and delivered, such Bonds shall be valid nevertheless and may be issued by the City with the same effect as though the persons who had signed or attested such Bonds had not ceased to be such officers, and any Bond may be signed or attested on behalf of the City by officers who at the date of actual execution of such Bond are the proper officers, although at the nominal date of execution of such Bond such officer was not an officer of the City.

Only Bonds that bear a Certificate of Authentication in the form set forth in Section 6, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered and are entitled to the benefits of this ordinance.

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In case either of the officers of the City who shall have executed the Bonds shall cease to be such officer or officers of the City before the Bonds so signed shall have been authenticated or delivered by the Bond Registrar, or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the City as though those who signed the same had continued to be such officers of the City. Any Bond may also be signed and attested on behalf of the City by such persons as at the actual date of execution of such Bond shall be the proper officers of the City although at the original date of such Bond any such person shall not have been such officer.

Section 8. Application of Bond Proceeds. At the time of delivery of the Bonds, the proceeds of the Bonds shall be deposited in within the [General CIP Fund] (the "Fund"). Amounts deposited in the Fund shall be used to finance, refinance and/or reimburse costs of the Project and to pay the costs of issuing the Bonds, and are appropriated for such purposes.

Money remaining in the Fund after all of such costs have been financed, refinanced or reimbursed may be used to pay costs of other legally authorized capital expenditures of the City or shall be deposited into the Debt Service Fund. Money in the Fund may be invested as permitted by law and the investment policy of the City. All interest earned and profits derived from such investments shall be retained in and become a part of the Fund or deposited into the Debt Service Fund.

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Section 9. Tax Covenants. The City covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exemption from federal income taxation of the interest on the Bonds and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on the Bonds.

(a) *Arbitrage Covenant.* Without limiting the generality of the foregoing, the City covenants that it will not take any action or fail to take any action with respect to the proceeds of sale of the Bonds or any other funds of the City which may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code and the regulations promulgated thereunder which, if such use had been reasonably expected on the dates of delivery of the Bonds to the initial purchasers thereof, would have caused the Bonds to be treated as "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code. The City will comply with the requirements of Section 148 of the Code and the applicable regulations thereunder throughout the term of the Bonds.

(b) *Private Person Use Limitation for Bonds.* The City covenants that for as long as the Bonds are outstanding, it will not permit:

(1) More than 10% of the Net Proceeds of the Bonds to be allocated to any Private Person Use; and

(2) More than 10% of the principal or interest payments on the Bonds in a Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in

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respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The City further covenants that, if:

(3) More than five percent of the Net Proceeds of the Bonds are allocable to any Private Person Use; and

(4) More than five percent of the principal or interest payments on the Bonds in a Bond Year are (under the terms of this ordinance or any underlying arrangement) directly or indirectly:

(A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or

(B) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any Private Person Use of the Projects described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the Projects funded by the proceeds of the Bonds, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds allocable to the state or local governmental use portion of the Projects(s) to which the Private Person Use of such portion of the Projects funded by the proceeds of the Bonds relate. The City further covenants that it will comply with

any limitations on the use of the Projects funded by the proceeds of the Bonds by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the Bonds. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds.

(c) *Modification of Tax Covenants.* The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds. To that end, the provisions of this section may be modified or eliminated without any requirement for formal amendment thereof upon receipt of an opinion of the City's bond counsel that such modification or elimination will not adversely affect the tax exemption of interest on any Bonds.

(d) *No Designation under Section 265(b).* The City does not designate the Bonds issued pursuant to this ordinance as "qualified tax-exempt obligations" for investment by financial institutions under Section 265(b) of the Code.

Section 10. Debt Service Fund and Provision for Tax Levy Payments. The "Interest and Debt Redemption Regular Levy Fund" (the "Debt Service Fund") has been established by the City. The Debt Service Fund shall be drawn upon for the purpose of paying the principal of and interest on the Bonds.

The City hereby irrevocably covenants and agrees for as long as any of the Bonds are outstanding and unpaid that each year it will include in its budget and levy an ad valorem tax, within and as a part of the tax levy permitted to cities without a vote of the people, upon all the property within the City subject to taxation in an amount which will be sufficient, together with other lawfully

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available funds, to pay the principal of and interest on the Bonds as the same shall become due. All of such taxes and any of such other money so collected shall be paid into the Debt Service Fund. Money in the Debt Service Fund not needed to pay the interest or principal next coming due may temporarily be deposited in such institutions or invested in such obligations as may be lawful for the investment of City money. Any interest or profit from the investment of such money shall be deposited in the Debt Service Fund.

The City hereby irrevocably pledges that a sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal of and interest on the Bonds will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bonds. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of said taxes and for the prompt payment of the principal of and interest on the Bonds as the same shall become due.

The City hereby further irrevocably pledges all Local Option Sales and Use Tax Revenues to the portion of the Bonds allocable to the LRF Improvements. The City further covenants and agrees to do any and all things necessary in order to preserve and protect its right and ability to impose the Local Option Sales and Use Tax and collect the Local Option Sales and Use Tax Revenues under and in accordance with RCW 82.14.505 and RCW 82.14.510.

Section 11. Defeasance. In the event that the City, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Debt Service Fund or in another special account, cash or noncallable Government Obligations,

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or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Debt Service Fund for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive payment of principal, premium, if any, and interest from the Debt Service Fund or such special account, and such Bond shall be deemed to be not outstanding under this ordinance.

The City shall give written notice of defeasance to the owners of all Bonds so provided for within 20 days of the defeasance and to each party entitled to receive notice in accordance with Section 14 of this ordinance.

Section 12. Sale of the Bonds; Official Statement.

(a) *Bond Sale.* The Bonds shall be sold at a competitive public sale. The Designated Representative or his designee shall: (1) establish the date of the public sale; (2) establish the criteria by which the successful bidder will be determined; (3) request that a good faith deposit in the amount determined to be necessary accompany each bid; (4) cause notice of the public sale to be given (the "Notice of Sale"); and (5) provide for such other matters pertaining to the public sale as he deems necessary or desirable. The Designated Representative

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shall cause notice of the public sale to be given and provide for such other matters pertaining to the public sale as he deems necessary or desirable.

Upon the date and time established for the receipt of bids for the Bonds, the Designated Representative or his designee shall open the bids and shall cause the bids to be mathematically verified. The Bonds shall be sold to the bidder offering to purchase them at the lowest true interest cost to the City; *provided, however,* that the Designated Representative reserves the right to reject any and all bids for the Bonds and also may waive any irregularity or informality in any bid.

Subject to the terms and conditions set forth in this Section 12, the Designated Representative is hereby authorized to accept an Approved Bid for the Bonds in one or more series upon his approval of the final interest rates, maturity dates, aggregate principal amounts, principal maturities, and redemption rights set forth therein for the Bonds in accordance with the authority granted by this section so long as:

- (1) the aggregate principal amount of the Bonds does not exceed [\$_____];
- (2) the final maturity date for the Bonds is no later than _____
1, 20__;
- (3) the Bonds are sold (in the aggregate) at a price not less than ____% and not greater than ____%;
- (4) the true interest cost for the Bonds (in the aggregate) does not exceed ____%.

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Following the sale of the Bonds, the Designated Representative shall provide a report to the Council, describing the final terms of the Bonds approved pursuant to the authority delegated in this section.

The authority granted to the Designated Representative by this Section 12 shall expire 180 days after the effective date of this ordinance. If an Approved Bid has not been accepted within 180 days after the effective date of this ordinance, the authorization for the issuance of the Bonds shall be rescinded, and the Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by ordinance of the Council. The ordinance re-authorizing the issuance and sale of such Bonds may be in the form of a new ordinance repealing this ordinance in whole or in part or may be in the form of an amendatory ordinance approving a bond purchase contract or establishing terms and conditions for the authority delegated under this Section 12.

(b) *Delivery of Bonds; Documentation.* Upon the passage and approval of this ordinance, the proper officials of the City, including the Designated Representative, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Bonds to the successful bidder thereof and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds.

(c) *Preliminary and Final Official Statements.* The City authorizes the Finance Director to approve the preliminary official statement for the Bonds and authorizes the distribution of the preliminary official statement in connection with the offering of the Bonds. Pursuant to the Rule, the City deems the preliminary

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official statement as final as of its date except for the omission of information dependent upon the pricing of the Bonds. The City agrees to cooperate with the Underwriter to deliver or cause to be delivered, within seven business days from the date of the sale of the Bonds and in sufficient time to accompany any confirmation that requests payment from any customer of the Underwriter, copies of a final official statement in sufficient quantity to comply with paragraph (b)(4) of the Rule and the rules of the MSRB. The City's Finance Director is authorized to approve, supplement or amend the final official statement.

Section 13. Bond Insurance. In the event that the successful bidder for the Bonds specifies that one or more maturities for the Bonds shall be insured, the City hereby authorizes and directs the Bond Registrar to hold the Bond Insurance Policy if so directed by the Insurer and to comply with the conditions and directions of the Insurer.

Section 14. Undertaking to Provide Ongoing Disclosure.

(a) *Contract/Undertaking.* This section constitutes the City's written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

(b) *Financial Statements/Operating Data.* The City agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB"), the following annual financial information and operating data for the prior fiscal year (commencing in 2013 for the fiscal year ended December 31, 2012):

1. Annual financial statements, which statements may or may not be audited, showing ending fund balances for the City's general fund prepared in

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accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute);

2. The assessed valuation of taxable property in the City;
3. Ad valorem taxes due and percentage of taxes collected;
4. Property tax levy rate per \$1,000 of assessed valuation;
5. Outstanding general obligation debt of the City; and
6. Local Option Sales and Use Tax Revenues collected.

Items 2-6 shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be provided on or before nine months after the end of the City's fiscal year. The City's current fiscal year ends December 31. The City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents available to the public on the MSRB's internet website and, if such document is a final official statement within the meaning of the Rule, available from the MSRB or filed with the Commission.

If not provided as part of the annual financial information discussed above, the City shall provide the City's audited annual financial statement prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to the MSRB.

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(c) *Listed Events.* The City agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- Modifications to the rights of Bondholders, if material;
- Bond calls, if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds, if material;

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- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the City;
- The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The City shall promptly determine whether the events described above are material.

Solely for purposes of disclosure, and not intending to modify this undertaking, the City advises that no debt service reserves or property secures payment of the Bonds.

(d) *Notification Upon Failure to Provide Financial Data.* The City agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described in subsection (b) above on or prior to the date set forth in subsection (b) above.

(e) *Format for Filings with the MSRB.* All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to

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the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(f) *Termination/Modification.* The City's obligations to provide annual financial information and notices of listed events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this section shall be null and void if the City (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (2) notifies the MSRB of such opinion and the cancellation of this section.

The City may amend this section with an opinion of nationally recognized bond counsel in accordance with the Rule. In the event of any amendment of this section, the City shall describe such amendment in the next annual report, and shall include a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a listed event under subsection (c) and (ii) the annual report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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(g) *Bond Owner's Remedies Under This Section.* The right of any bondowner or Beneficial Owner of Bonds to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the City's obligations under this section, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds. For purposes of this section, "Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

Section 15. Lost or Destroyed Bonds. If any Bonds are lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond or Bonds of like amount, maturity and tenor to the Registered Owner upon the owner paying the expenses and charges of the Bond Registrar and the City in connection with preparation and authentication of the replacement Bond or Bonds and upon his or her filing with the Bond Registrar and the City evidence satisfactory to both that such Bond or Bonds were actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the City and the Bond Registrar with indemnity satisfactory to both.

Section 16. General Authorization; Ratification of Prior Acts. The City Manager and Finance Director, and other appropriate officers of the City are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry out the terms of, and complete the

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transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified.

Section 17. Severability. If any provision in this ordinance is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provisions of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

Section 18. Effective Date. This ordinance shall become effective five days after its passage and publication, as required by law.

PASSED THIS 1st DAY OF APRIL, 2013, by the City Council of the City of Bellevue, and signed in approval therewith this 1st day of April, 2013.

CITY OF BELLEVUE

Conrad Lee, Mayor

APPROVED AS TO FORM:

Lori M. Riordan, City Attorney

By: _____
Mary Kate Berens, Deputy City Attorney

ATTEST:

Myrna L. Basich, MMC, City Clerk

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PUBLISHED: _____

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CERTIFICATE

I, the undersigned, Clerk of the City of Bellevue, Washington (herein called the "City") and keeper of the records of the City Council of the City (herein called the "Council"), DO HEREBY CERTIFY:

1. That the attached ordinance is a true and correct copy of Ordinance No. ____ of the City (herein called the "Ordinance"), as finally passed at a regular meeting of the Council of the City held on the 1st day of April, 2013, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum of the Council was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of said ordinance; that all other requirements and proceedings incident to the proper adoption or passage of said ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City this ____ of April, 2013.

Myrna L. Basich, MMC, City Clerk